

## DOCKET NO. 2002-259-C - ORDER NO. 2002-807

IN RE: Joint Application of Lancaster Telephone Company, ) ORDER  
Inc., Heath Springs Telephone Company, and Rock ) GRANTING  
Hill Telephone Company, Inc. d/b/a Comporium ) RELIEF *ND*  
Communications for (1) Approval of Agreement and )  
Plan of Reorganization providing for the Transfer of )  
Heath Springs' Assets to Lancaster Telephone )  
Company and Dissolution of Heath Springs )  
Telephone Company; (2) Expansion of Lancaster )  
Telephone Company's Certificate to Provide Local )  
Exchange Telecommunications Service within the )  
Area now being served by Heath Springs Telephone )  
Company within the State of South Carolina; and )  
(3) Application for Adjustment of Rates for the )  
Heath Springs Exchange. )

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Motion for Expedited Review of Lancaster Telephone Company d/b/a Comporium Communications (Lancaster), Heath Springs Telephone Company d/b/a Comporium Communications (Heath Springs), and Rock Hill Telephone Company d/b/a Comporium Communications (Rock Hill)(collectively known as the Joint Applicants) of their Joint Application for approval of an Agreement and Plan of Reorganization and related relief, including expansion of Lancaster Telephone Company's Certificate of Public Convenience and Necessity and approval of rate adjustments for the Heath Springs exchange.

The Joint Applicants request that this matter be heard at a weekly scheduled agenda session, rather than on the currently-scheduled hearing date of December 17, 2002. The Motion is made, based on several grounds. First, the Joint Applicants published the Notice of Filing of the request in newspapers of general circulation, as required by the Commission's Executive Director. In addition, Heath Springs Telephone Company notified each of its subscribers by mail of the proposed rate adjustments, as also required by the Executive Director. No comments or Petitions to Intervene were received by the Return Date listed in the Notice of Filing. One letter of Protest was received from one individual; however the Joint Applicants attempted to address that individual's concerns, which did not deal directly with the subject matter of this case.

Further, each of the Joint Applicants holds a certificate of public convenience and necessity granted by the Commission authorizing the respective companies to provide local exchange, exchange access, and ancillary services to customers located in their respective service areas. Each company has been operating in South Carolina for many years, and the Commission is familiar with the operations and standing of each of the companies.

Along with the Motion, the Joint Applicants have filed the verified testimony of Matthew L. Dosch, Vice-President of External Affairs for the Rock Hill Telephone Company. For the reasons stated in that testimony, we grant expedited review in this matter, hold that the discussion of this matter in the Commission meeting of November 19, 2002 constitutes the hearing in this matter, and we grant the relief sought by the Joint Applicants in the Joint Application.

As per the testimony of witness Dosch, the Joint Applicants are requesting approval of an Agreement and Plan of Reorganization along with related approval including expansion of Lancaster Telephone Company's Certificate of Public Convenience and Necessity, approval of depreciation treatment of transferred property, and approval of rate adjustments for the Heath Springs exchange. The Joint Applicants state that the reorganization would be in the best interests of the public and in the best interests of the respective companies, allowing the companies to recognize savings through the consolidation of administrative functions. On the effective date of the Reorganization, the assets and liabilities of Heath Springs will be carried on the books of Lancaster, at the amounts carried on such date on the books of Heath Springs.

Dosch further notes that the effect of the Reorganization on Heath Springs' customers will be minimal, as both Lancaster and Heath Springs currently do business under the name Comporium Communications. Lancaster, including the transferred operations of Heath Springs, will continue to file all necessary filings and reports. According to Dosch, the proposed Reorganization will not adversely affect the ability of Lancaster to fulfill its duties as a telecommunications carrier within the State of South Carolina, but will be beneficial in that it will allow Lancaster to achieve greater administrative efficiency.

In addition to approval of the Reorganization Plan, the Joint Applicants respectfully request that the Commission approve an expansion of Lancaster Telephone Company's Certificate of Public Convenience and Necessity; approve Lancaster's

existing depreciation rates for application to property transferred from Heath Springs to Lancaster; and approve new rate schedules for the Heath Springs exchange.

According to Dosch, because the current Heath Springs Telephone Company service area will become a part of Lancaster Telephone Company upon Reorganization, Lancaster asks the Commission to approve an expansion of Lancaster Telephone Company's Certificate of Public Convenience and Necessity to authorize it to provide local exchange telecommunications service within the areas of the State of South Carolina in which Heath Springs is presently authorized by this Commission to operate. Heath Springs encompasses only one telephone exchange. Heath Springs will operate as an exchange of Lancaster.

Dosch states that Lancaster possesses the technical, financial, and managerial resources and abilities to provide local exchange, access and intraLATA toll telecommunications services within the present Heath Springs service area. Lancaster has the necessary personnel and central office buildings and equipment, outside plant facilities and other property necessary to operate its telephone system in South Carolina. The central office buildings and equipment, outside plant facilities and other properties of Heath Springs will be available to Lancaster upon Reorganization to continue to provide quality telecommunications services to South Carolina customers. Lancaster will assume all current rights and obligations relating to Heath Springs' Certificate of Public Convenience and Necessity, including those rights and obligations with respect to the Interim LEC Fund and intrastate Universal Service Fund. Heath Springs will be treated as an exchange of Lancaster for these purposes.

Further, Lancaster asks that the Commission approve Lancaster's existing depreciation rates for application to property transferred from Heath Springs to Lancaster as a result of the proposed Reorganization, which Lancaster states will ensure consistent treatment of Lancaster Telephone Company's property for purposes of depreciation.

Lancaster asks the Commission to approve new rate schedules for the Heath Springs exchange. The new rates would mirror those for Lancaster's Fort Lawn exchange. In addition, the mandatory EAS adder for Heath Springs' current customers would be reduced from \$10.24 to \$5.00. Dosch states that the proposed new rates would benefit the company and customers in the following ways: (a) The new rate schedule will eliminate the confusing multi-zone rate structure that currently exists for Heath Springs' rates and implement a single R-1 rate and a single B-1 rate. This will be more equitable and less confusing to Heath Springs' customers, and will be easier and more efficient for Lancaster to administer. (b) Every residential customer in the Heath Springs exchange will see a reduction in rates. This reduction would vary from \$.88 to \$4.00, depending on the customer's existing zone. (c) While most business customers in the Heath Springs exchange will experience an increase in rates, this is because most businesses are concentrated near the Heath Springs central office, which is currently designated as Zone 0 and has the lowest rates. When considered along with the \$5.24 reduction in the mandatory EAS adder, however, the impact on business customers is mitigated. Business customers will experience a change in rates ranging from a \$4.25 increase in Zone 0 to a \$2.42 decrease in Zone 34. (d) All customers in the Heath Springs exchange will continue to enjoy a broad local calling scope that includes the Lancaster and Fort Lawn exchanges.

(e) In order to make the calling scopes symmetrical throughout the new Lancaster service area, customers in the Lancaster and Fort Lawn exchanges will be offered an area calling plan (ACP) that includes the Heath Springs exchange. This ACP will be offered at the rate of \$5.00 per month on an optional basis. (f) The new rate schedule will make rates for the Heath Springs exchange more comparable to those in Lancaster's Fort Lawn and Lancaster exchanges, according to Dosch.


We have examined Dosch's testimony in this matter, and we grant the relief sought by the Joint Applicants. First we approve the Agreement and Plan of Reorganization providing for the transfer of Heath Springs Telephone Company's assets to Lancaster Telephone Company and the dissolution of Heath Springs Telephone Company. We think there are many economies of scale to this arrangement that make the proposal reasonable. Accordingly, we grant expansion of Lancaster Telephone Company's Certificate of Public Convenience and Necessity to authorize it to provide local exchange service in the area now served by Heath Springs Telephone Company. Further we approve the proposed changes in rates as just and reasonable in the new Heath Springs exchange. Elimination of the multizone local rates and the reduction of the EAS Adder from \$10.24 to \$5.00 per month is just and reasonable under the circumstances. All Heath Springs residential customers will see a rate decrease. Under the new rates, business customers will experience a change in local rates ranging from an increase of \$4.25 per month to a reduction of \$2.42 per month. Under the circumstances, we hold that this is just and reasonable, and that the increases, if any, are minimal. We also approve the optional Area Calling Plan to be offered by Lancaster. Further, it makes

sense to us for Lancaster Telephone Company to assume the rights and obligations of Heath Springs Telephone Company with respect to the Interim LEC Fund and Intrastate Universal Service Fund, since the Heath Springs Exchange will now be a part of Lancaster Telephone Company. Finally, we approve the request of Lancaster Telephone Company to use its existing depreciation rates for the property transferred from Heath Springs Telephone Company to Lancaster Telephone Company, again, because Heath Springs Telephone Company is becoming a part of Lancaster Telephone Company.

In short, we approve the Company's proposal, and find it fair and reasonable to all.

This Order shall remain in full force and effect until further Order of the Commission.

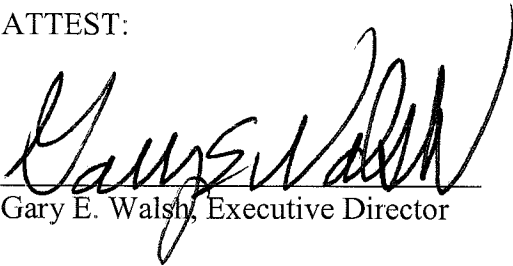
BY ORDER OF THE COMMISSION:



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Mignon L. Clyburn, Chairman

ATTEST:



Gary E. Walsh, Executive Director

(SEAL)